

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

For the three-month period ended 30 June 2012



ERNST & YOUNG

P. O. Box 1994
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Kingdom of Saudi Arabia



KPMG

Al Fozan & Al Sadhan

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Kingdom of Saudi Arabia
License No. 46/11/323 issued 11/3/1992

LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF SAUDI DAIRY AND FOODSTUFF COMPANY (SADAFCO) (A SAUDI JOINT STOCK COMPANY)

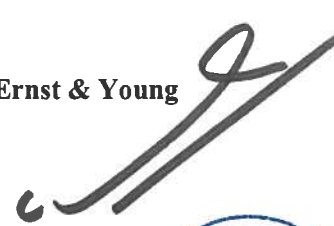
Scope of Review

We have reviewed the accompanying consolidated balance sheet of Saudia Dairy and Foodstuff Company (A Saudi Joint Stock Company) ("SADAFCO" or the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2012, the related consolidated statements of income, cash flows, changes in shareholders' equity for the three-month period then ended and the attached notes 1 to 16 which form an integral part of these consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Group's Board of Directors and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organisation for Certified Public Accountants' auditing standard on interim financial reporting. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.


Ernst & Young



Ahmed I. Reda
Certified Public Accountant
License No. 356



KPMG Al Fozan & Al Sadhan



Ebrahim O. Baeshen
Certified Public Accountant
License No. 382



29 Shabaan 1433H
Corresponding to 19 July 2012
Jeddah, Kingdom of Saudi Arabia

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2012

	<u>Note</u>	<u>2012</u> (SR '000)	<u>2011</u> (SR '000)
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalent	4	52,148	46,013
Term deposits with a bank	5	150,000	220,000
Accounts receivable	6	216,175	208,607
Deposits and prepayments		27,167	26,980
Inventories		250,300	285,133
Assets relating to a subsidiary held for disposal	9	9,027	9,089
Total current assets		704,817	795,822
Non-current assets:			
Investments	7	243	243
Property, plant and equipment	8	340,603	281,260
Total non-current assets		340,846	281,503
Total assets		1,045,663	1,077,325
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Accounts payable		51,343	97,312
Payable to affiliates		431	1,943
Accruals and other current liabilities		67,223	106,098
Accrued Zakat	11	18,805	20,406
Unpaid dividend	14	98,096	99,344
Liabilities relating to a subsidiary held for disposal	9	19,119	19,544
Total current liabilities		255,017	344,647
Non-current liability:			
Employees' end of service benefits		73,867	72,263
Total liabilities		328,884	416,910
Equity:			
Equity attributable to the Company's shareholders:			
Capital		325,000	325,000
Statutory reserve		162,500	156,427
Voluntary reserve		81,257	65,621
Foreign currency translation adjustments		(3,345)	(1,999)
Retained earnings		150,121	114,371
Total shareholders' equity		715,533	659,420
Non-controlling interest		1,246	995
Total equity		716,779	660,415
Total liabilities and equity		1,045,663	1,077,325

The accompanying notes 1 to 16 form an integral part
of these unaudited interim condensed consolidated financial statements.

Mussad Abdullah Al Nassar
Member Board of Directors

Matthijs Waltherus Cornelis Petrus
Chief Executive Officer


Sayed Fahim Hassan Hamdani
Group Accounting Manager

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the three-month period ended 30 June 2012

	<u>2012</u> (SR '000)	<u>2011</u> (SR '000)
Continuing operations:		
Sales – net	410,576	329,859
Cost of sales	<u>(283,733)</u>	<u>(224,074)</u>
Gross profit	126,843	105,785
Expenses:		
Selling and distribution	(73,023)	(61,537)
General and administrative	<u>(18,475)</u>	<u>(15,052)</u>
Total expenses	<u>(91,498)</u>	<u>(76,589)</u>
Operating income	35,345	29,196
Other income / (expenses) – net	693	(26)
Financial charges – net	<u>370</u>	<u>1,400</u>
Net income from continuing operations before non-controlling interest and Zakat	36,408	30,570
Discontinuing operations:		
Net loss for the period from discontinuing operations (Note 9)	<u>(40)</u>	<u>(61)</u>
Net income before Zakat	36,368	30,509
Zakat charge for the period (Note 11)	<u>(4,400)</u>	<u>(3,126)</u>
Net income for the period	<u>31,968</u>	<u>27,383</u>
Attributable to:		
Equity shareholders of the Parent	31,769	27,288
Non-controlling interest	<u>199</u>	<u>95</u>
Net income for the period	<u>31,968</u>	<u>27,383</u>
Earnings per share:		
- on operating income - SR (Note 13)	<u>1.088</u>	<u>0.898</u>
- on net income after Zakat - SR (Note 13)	<u>0.984</u>	<u>0.843</u>
- on net income attributable to equity shareholders of the Parent - SR (Note 13)	<u>0.978</u>	<u>0.840</u>

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SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 30 June 2012

	<u>2012</u> (SR '000)	<u>2011</u> (SR '000)
Operating activities:		
Net income for the period	31,968	27,383
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	11,313	9,498
Non-controlling interest	(191)	(18)
Gain on disposal of property, plant and equipment	(446)	(74)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	74,307	19,892
Increase in deposits and prepayments	(8,898)	(3,486)
Decrease / (increase) in inventories	2,805	(77,084)
Decrease in accounts payable	(69,479)	(30,423)
Decrease in payable to affiliates	(4,208)	(996)
(Decrease) / increase in accrued Zakat, accruals and other current liabilities	(6,617)	5,334
Employees' end of service benefits – net	825	580
Total adjustments	(589)	(76,777)
Net cash from / (used in) operating activities	<u>31,379</u>	<u>(49,394)</u>
Investing activities:		
Changes in net assets directly associated with a subsidiary held for disposal	(428)	580
Term deposit with a bank	–	(220,000)
Proceeds from sale of property, plant and equipment	631	74
Purchases of property, plant and equipment	(29,450)	(23,032)
Net cash used in investing activities	<u>(29,247)</u>	<u>(242,378)</u>
Net increase / (decrease) in cash and cash equivalents	<u>2,132</u>	<u>(291,772)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	(1,695)	(83)
Cash and cash equivalents at the beginning of the period	<u>51,711</u>	<u>337,868</u>
Cash and cash equivalents at the end of the period	<u>52,148</u>	<u>46,013</u>

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three-month period ended 30 June 2012

	Attributable to equity shareholders of the Parent							
	Capital (SR '000)	Statutory reserve (SR '000)	Voluntary reserve (SR '000)	Foreign currency translation adjustments (SR '000)	Retained earnings (SR '000)	Total (SR '000)	Non- controlling interest (SR '000)	Total equity (SR '000)
Balance at 1 April 2011	325,000	153,698	62,892	(1,916)	190,391	730,065	919	730,984
Net income for the period	--	--	--	--	27,288	27,288	95	27,383
Dividend declared (Note 14)	--	--	--	--	(97,500)	(97,500)	--	(97,500)
Transfer to reserves	--	2,729	2,729	--	(5,458)	--	--	--
Board of directors' remuneration (Note 12 (c))	--	--	--	--	(350)	(350)	--	(350)
Foreign currency translation adjustments	--	--	--	(83)	--	(83)	(19)	(102)
Balance at 30 June 2011	325,000	156,427	65,621	(1,999)	114,371	659,420	995	660,415
Balance at 1 April 2012	325,000	162,500	78,080	(1,650)	219,379	783,309	1,238	784,547
Net income for the period	--	--	--	--	31,769	31,769	199	31,968
Dividend declared (Note 14)	--	--	--	--	(97,500)	(97,500)	--	(97,500)
Transfer to reserves	--	--	3,177	--	(3,177)	--	--	--
Board of directors' remuneration (Note 12 (c))	--	--	--	--	(350)	(350)	--	(350)
Foreign currency translation adjustments	--	--	--	(1,695)	--	(1,695)	(191)	(1,886)
Balance at 30 June 2012	325,000	162,500	81,257	(3,345)	150,121	715,533	1,246	716,779

The accompanying notes 1 to 16 form an integral part
of these unaudited interim condensed consolidated financial statements.


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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month period ended 30 June 2012

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

(a) Saudia Dairy and Foodstuff Company (SADAFCO) (the "Company") is a Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030009917 dated 21 Rabi Al-Akhar 1396H, corresponding to 21 April 1976. The Company and its subsidiaries (listed in Note 1(b)), collectively described as the "Group" in these interim condensed consolidated financial statements, are primarily engaged in the production and distribution of dairy products, beverages and various foodstuff in the Kingdom of Saudi Arabia and certain Gulf and Arab countries.

(b) At 30 June, the Company has investments in the following subsidiaries:

<u>Name</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>SADAFCO's beneficial interest</u>
SADAFCO Foodstuff Company LLC ^	Foodstuff and dairy products	United Arab Emirates (UAE)	100%
SADAFCO Bahrain Company, LLC ^	Foodstuff and dairy products	Bahrain	100%
SADAFCO Jordan Foodstuff Company LLC	Foodstuff and dairy products	Jordan	100%
SADAFCO Qatar Company	Foodstuff and dairy products	Qatar	75%
National Buildings Real Estate Company*^	Real estate	Kingdom of Saudi Arabia	100%
United Gulfers Logistics Company*^	Logistics	Kingdom of Saudi Arabia	100%
National Sight Holding Company*^	Investment company	Kingdom of Saudi Arabia	100%

*The above subsidiaries have not yet commenced their operations.

^ Part of the investments are beneficially held through parties nominated by the Company.

Other subsidiaries:

- Arab Company for Animal Produce SAE, Egypt (see Note 7)
- Swiss Premium Foods Company SAE, Egypt (see Note 9)

(c) Part of the Company's investments in SADAFCO Foodstuff Company LLC, UAE and SADAFCO Bahrain Company, WLL, Bahrain are beneficially held by the Company through parties nominated by the Company.

(d) The results of operations presented in these interim condensed consolidated financial statements for the period may not be a fair indicator of the results of operations for the full year.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month period ended 30 June 2012

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying interim condensed consolidated financial statements have been prepared in accordance with the Standard for Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (SOCPA).

These interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 March 2012.

(b) Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost basis (except for investments and derivative financial instruments which are stated at fair values), using the accrual basis of accounting and the going concern concept.

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency. All financial information presented in SR has been rounded to the nearest thousand.

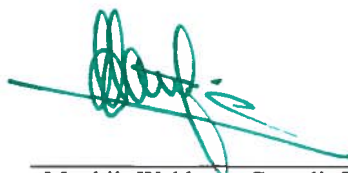
(d) Use of estimates and judgements

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month period ended 30 June 2012

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Impairment of available for sale investments

The Group exercises judgement to consider the impairment of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgement. The Group also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(ii) Impairment of non-financial assets

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month period ended 30 June 2012

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

(iii) Provision for impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered as indicators that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

(iv) Provision for slow moving inventory items

The Group makes a provision for slow moving inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies used by the Group for the preparation of these interim condensed consolidated financial statements are consistent with those used for the preparation of the annual consolidated financial statements.

(a) Basis of consolidation

These interim condensed consolidated financial statements include the interim condensed consolidated financial statements of the Company and its subsidiaries set forth in Note 1 above.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month period ended 30 June 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investments in subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date control ceases.

All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries are eliminated in preparing these interim condensed consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidation.

The attributable equity interest of third parties in the Group is included under the non controlling interest caption in these interim condensed consolidated financial statements.

(c) Account receivables

Account receivables are stated at original invoice amount less provisions made for amounts which in the opinion of the management may not be received. Bad debts are written off when identified.

(d) Available for sale investments

Investments which are neither bought with the intention of being held to maturity nor for trading purposes are classified as available for sale and are stated at fair value and included under current assets unless they are not intended to be sold in the next fiscal year. Changes in the fair value are credited or charged to the interim condensed consolidated statement of changes in shareholders' equity. However, any non-temporary decline in value is charged to the interim consolidated statement of income. Fair value is determined by reference to the market value.

Dividend income is recognised when the right to receive the dividend is established.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month period ended 30 June 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment and depreciation

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the interim consolidated statement of income when incurred.

Depreciation is charged to the interim condensed consolidated statement of income on a straight-line basis over the estimated useful lives of individual item of property, plant and equipment.

Property, plant and equipment are depreciated at the following annual rates:

	<u>%</u>
Buildings	2.5-10
Machinery and equipment	10-33
Vehicles and trailers	15-25
Furniture, fixtures and office equipment	10-25

(f) Revenue recognition

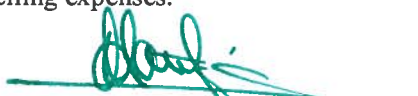
Sales are recognized when products are delivered or shipped to customers and when risks and rewards are transferred. Sales represent the invoiced value of the goods supplied during the period, net of discounts and returns.

(g) Inventories

Inventories are valued at the lower of cost (determined principally by using the standard cost method but adjusted to approximate the respective actual cost) and net realizable value. Costs of finished goods include material cost, direct labour and appropriate manufacturing overhead. The cost of inventories includes expenditure incurred in acquiring and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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For the three-month period ended 30 June 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Zakat and income tax

The Company and its Saudi Arabian subsidiaries are subject to Zakat and income-tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The foreign subsidiaries are subject to tax regulations in their respective countries of incorporation. Zakat and income tax are charged to interim consolidated statement of income.

(i) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with labour regulations of the countries of incorporation of the Group member companies, are accrued and charged to interim consolidated statement of income.

(j) Expenses

Selling and distribution expenses are those arising from the Group's efforts underlying their marketing, selling and distribution functions. All other expenses are classified as general and administrative expenses.

(k) Operating lease payments

Payments under operating leases are recognized in the interim consolidated statement of income on a straight-line basis over the terms of the lease.

(l) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Saudi Arabian Riyals (for the Company) or the relevant currencies (for subsidiaries) at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the interim consolidated statement of income.

Exchange difference, arising from the translation of foreign currency financial statements of subsidiaries are allocated to the shareholders of the Parent Company and non-controlling shareholders in proportion to their ownership interests in the investee companies. SADAFCO's share in exchange difference is recorded as a separate component of shareholders' equity, whereas amounts relating to the non controlling shareholders are included under non controlling interests in the interim consolidated balance sheet.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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For the three-month period ended 30 June 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Derivative financial instruments

The Group uses interest rate swaps to strategically hedge its risk against interest rate movements and thus hedge accounting is not followed. The interest rate swaps are included in the interim consolidated balance sheet at fair value and any resultant gain or loss is recognized in the interim consolidated statement of income. The fair values of interest rate swaps are included in "other receivables" in case of favourable contracts and "other payables" in case of unfavourable contracts.

(n) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, current accounts with banks, funds placed for investment and short-term bank deposits having an original maturity within 90 days.

(o) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit, will be required to settle the obligation.


4. CASH AND CASH EQUIVALENT

Cash and cash equivalent at 30 June, comprise the following:

	<u>2012</u> (SR '000)	<u>2011</u> (SR '000)
Cash and cheques in hand	19,380	12,442
Balances with banks - current account	<u>32,768</u>	<u>33,571</u>
	<u>52,148</u>	<u>46,013</u>

5. TERM DEPOSITS WITH A BANK

During the period ended 30 June 2011, the Company had placed SR 300 million as a Murabaha term deposits with United Gulf Bank, Bahrain, a related party at commercial terms. SR 150 million was fully received during the quarter ended 30 September 2011. The balance SR 150 million matured on 29 March 2012. On 30 March 2012, the Company placed the Murabaha deposit amounting to SR 150 million with the same related party at commercial terms with SR 75 million maturing on 9 July 2012 and the remaining SR 75 million on 27 March 2013.


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For the three-month period ended 30 June 2012

6. ACCOUNTS RECEIVABLE

Accounts receivable at 30 June comprise the following:

	<u>2012</u> (SR '000)	<u>2011</u> (SR '000)
Trade receivables	202,429	174,649
Less: Provision for doubtful accounts	<u>(16,350)</u>	<u>(14,444)</u>
Net trade receivables	<u>186,079</u>	<u>160,205</u>
Advances and other receivables	24,008	36,556
Less: Provision for doubtful accounts	<u>(2,358)</u>	<u>(2,354)</u>
Net advances and other receivables	<u>21,650</u>	<u>34,202</u>
Related parties (Note 12)	<u>8,446</u>	<u>14,200</u>
	<u>216,175</u>	<u>208,607</u>


7. INVESTMENTS

(a) Investment at 30 June comprise the following:


	<u>2012</u> (SR '000)	<u>2011</u> (SR '000)
Investments available for sale (unquoted)	1,336	1,336
Less: Provision for non-temporary decline in value	<u>(1,093)</u>	<u>(1,093)</u>
	<u>243</u>	<u>243</u>

(b) During the year ended 31 March 2009, the Company sold its 89.3% holding in its subsidiary, Arab Company for Animal Produce SAE, Egypt (ACFAP) to Gulf Egypt Agriculture Investment and Food Industry (GEAIF), for a consideration of LE 42,800 thousands (equivalent to SR 29,232 thousands) which will be received in five instalments. As per the sale agreement, the first instalment of LE 12,000 thousand was due on 28 December 2008 and the remaining amount of LE 30,800 thousand is due in 4 equal annual instalments commencing from 28 December 2009 and concluding on 28 December 2012. As at 30 June 2012, the Company has a receivable of SR 4,700 thousands (LE: 7,700 thousands) against sale of investments under the agreement.

(c) SADAFCO's ownership interest in some of the investments is held through parties nominated by the Company.


Mussad Abdullah Al Nassar
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SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
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8. PROPERTY, PLANT AND EQUIPMENT

- (a) The ownership interest of the Company in certain freehold land held in Madinah and Riyadh amounting to SR 1,538 thousand (2011: SR 6,183 thousand) is through certain shareholders of the Company.
- (b) During the year ended 31 March 2008, the Company sold a plot of land having a cost of SR 4,645 thousand to Kuwait Real Estate Company Limited (the "Buyer"), a related party, for SR 20,000 thousand, resulting in a gain of SR 15,355 thousand. As the completion of legal formalities for the transfer of land were delayed, both parties mutually agreed to revoke the contract in respect of sale of land on 1 February 2010. During the year ended 31 March 2010, the management recorded a full provision for impairment against the carrying amount of land of SR 4,645 thousand, due to the uncertainties arising from the revocation of the sale contract. During the year ended 31 March 2012, the land has been transferred in the name of the Company, and therefore the provision for impairment of SR 4,645 thousand was credited to the consolidated statement of income as the uncertainties relating to future disposal of land do not exist anymore.
- (c) During the year ended 31 March, 2012, the Board of Directors have resolved to restart SADAFCO's Dammam factory to expand production capacity to meet future consumer demand. Further the Company expects to commence partial operations from July 2012.
- (d) The additions during the period amounting to SR 29,450 thousand, mainly represent machinery purchased for Dammam and Jeddah factory.

9. DISCONTINUING OPERATIONS (SUBSIDIARY HELD FOR DISPOSAL)

Swiss Premium Foods Company SAE, Egypt (SPF), a subsidiary of SADAFCO, was engaged in manufacturing and production of ice cream products. During the year ended 31 March 2009, SADAFCO decided to sell its beneficial interest of 96.3% in SPF and consequently at 31 March 2009 SPF was classified as a subsidiary held for disposal. On 7 October 2009, the shareholders of SPF decided to liquidate the Company. On 31 December 2009, the Ministry of Commerce in Egypt notified the Company as 'under liquidation'.

Under the liquidation process, an agreement has been finalised for sale of all SPF's assets, for which an advance payment of SR 5,177 thousands (LE: 8,600 thousands) has been received. As at 30 June 2012, the legal formalities relating to the sale agreement are still in progress.



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9. DISCONTINUING OPERATIONS (SUBSIDIARY HELD FOR DISPOSAL) (continued)

The results of the subsidiary for the period ended 30 June are presented below:

	For the three-month period 30 June	
	<u>2012</u>	<u>2011</u>
	(SR '000)	(SR '000)
Expenses and net loss for the period from discontinuing operations	<u>(40)</u>	<u>(61)</u>

The major classes of assets and liabilities of SPF classified as held for disposal, as at 30 June, are as follows:

	<u>2012</u>	<u>2011</u>
	(SR '000)	(SR '000)
Assets:		
Property, plant and equipment	4,625	5,385
Receivables	--	101
Others	4,402	3,603
Assets classified as held for disposal	<u>9,027</u>	<u>9,089</u>
Liabilities:		
Payables	12,971	13,165
Accrued liabilities	6,148	6,379
Liabilities classified as held for disposal	<u>19,119</u>	<u>19,544</u>
Net liabilities directly associated with subsidiary held for Disposal	<u>(10,092)</u>	<u>(10,455)</u>



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10. COMMITMENTS, CONTINGENCIES AND DERIVATIVE CONTRACTS

- (a) At 30 June 2012, SADAFCO and its subsidiaries have outstanding commitments for future capital expenditures amounting to SR 30,411 thousand (2011: SR 36,889 thousand).
- (b) As at 30 June 2012, SADAFCO and its subsidiaries has a contingent liability of SR 17,723 thousand (2011: SR 13,162 thousand) in respect of guarantees issued by the Company's bankers on behalf of its consolidated subsidiaries and affiliates, as well as for guarantees issued to the Department of Zakat and Income Tax (Note 11).
- (c) At 30 June 2012, the Company had outstanding interest rate swap contracts with a notional amount of SR 100,000 thousand (2011: SR 100,000 thousand) and negative fair value of SR 2,499 thousand (2011: SR 6,087 thousand negative). The interest rate swap contracts will mature by March 2013.

11. ZAKAT

Zakat assessments for the years up to and including 1996 have been finalised with the Department of Zakat and Income Tax (DZIT).

The DZIT raised amended assessments for the years 1997 through 2002 with an additional Zakat liability of SR 8,254 thousand. The Company's appeal against the Higher Appeal Committee (HAC) decision is awaiting review with the Board of Grievances (BOG).

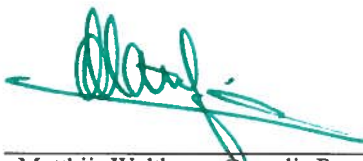
The DZIT raised amended assessments for the years ended March 31, 2003 and 2004 based on Preliminary Appeal Committee's (PAC) Decision with an additional Zakat liability of SR 5,382 thousand. The HAC has rendered its decision with respect to SADAFCO's appeal against PAC's decision for 2003 and 2004. Based on HAC's decision, additional Zakat liability is expected to be SR 5,135 thousands. SADAFCO filed an appeal with BOG against HAC's decision. BOG's review is awaited.

The DZIT raised assessments for the years ended 31 March 2005 through 31 March 2007 with an additional Zakat liability of SR 6,381 thousand. The Company has filed an appeal with the PAC against these assessments. Recently, the PAC rendered its decision allowing certain items in favour of company and upholding certain DZIT's treatment. SADAFCO has filed an appeal against PAC's decision with HAC and submitted bank guarantee of SR 4,576 thousand for the additional liability based on PAC's decision.

Assessments for the years ended 31 March 2008 through 31 March 2011 have not yet been raised.



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11. ZAKAT (continued)

Management believes that the ultimate appeal decision for the disallowed items shall be in favour of the Company, and therefore no additional provision is required.

SADAFCO has obtained final Zakat certificate up to the financial years ended 31 March 2002 by providing a bank guarantee to the DZIT, amounting to SR 7,765 thousand for the Zakat assessments relating to financial years 1997 through 2002. SADAFCO has also submitted bank guarantees amounting to SR 5,382 thousand and SR 4,576 thousand with the DZIT in respect of revised liability as per the PAC's decision for the years 2003 through 2007 (see note 10b).

12. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.

(b) In addition to the disclosures set out in notes 1(b), 5, 6, 7, 8(b) and 9, significant related party transactions for the period ended 30 June 2012 and balances arising there from are described as under:

<u>Transactions with</u>	<u>Nature of transaction</u>	<u>Amount of Transactions</u>		<u>Closing balance Receivable/(Payable)</u>	
		<u>2012</u> (SR '000) (Unaudited)	<u>2011</u> (SR '000) (Unaudited)	<u>2012</u> (SR '000) (Unaudited)	<u>2011</u> (SR '000) (Unaudited)
Affiliates/Jointly controlled entity	Purchase of goods and services *	4,208	142	(431)	(1,645)
	Net settlement against purchase of goods and services	--	1,137	--	--
Affiliates	Advance payment	--	--	--	75
Affiliates	Accounts	--	--	--	75
Affiliates	Current account	372	--	8,446	14,200
Affiliates	Current account payable	--	--	--	(298)

*These transactions mainly represent the insurance premium paid to Buruj Cooperative Insurance Company.

(c) Board of Directors' remuneration amounting to SR 350 thousand (2011: SR 350 thousand), is calculated in accordance with Article 35-4 of the Company's Articles of Association, is considered as an appropriation and is shown in the statement of changes in shareholders' equity.



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13. EARNINGS PER SHARE

Earnings per share on operating income are calculated by dividing the operating income by the weighted average number of ordinary shares in issue during the period.

Earnings per share on net income are calculated by dividing the net income by the weighted average number of ordinary shares in issue during the period.

Earnings per share attributable to equity holders of the Parent are calculated by dividing the net income attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue during the period.

The weighted average number of ordinary shares outstanding during three-months ended 30 June 2012 was 32.5 million (2011: 32.5 million) shares of SR 10 each. The calculation of diluted earnings per share is not applicable to the Company.

14. DIVIDEND

In the Extraordinary General Assembly Meeting of the Company held on June 25, 2012, the shareholders authorised a final dividend of Saudi Riyals 3 per share (2011: Saudi Riyals 3 per share) amounting to SR 97,500 thousand (2011: SR 97,500 thousand), which was appropriated from the retained earnings.

15. SEGMENT REPORTING

As the Company's business activity primarily falls within a single business and geographical segment, no additional disclosure is provided under segment reporting.

16. APPROVAL OF FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 19 July 2012.



Mussad Abdullah Al Nassar
Member Board of Directors



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